

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0739-01
Bill No.: SB 211
Subject: Taxation and Revenue - Sales and Use; Prisons and Jails
Type: Original
Date: February 4, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
Total Estimated Net Effect on General Revenue Fund	<u>(UNKNOWN) to UNKNOWN</u>	<u>(UNKNOWN) to UNKNOWN</u>	<u>(UNKNOWN) to UNKNOWN</u>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Various State Funds	Unknown	Unknown	Unknown
Total Estimated Net Effect on Other State Funds	UNKNOWN	UNKNOWN	UNKNOWN

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	UNKNOWN	UNKNOWN	UNKNOWN

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration, Budget and Planning (BAP)** assume this bill would require sales at prison stores be subject to sales tax. BAP has no basis for estimating the value of sales at prison stores. BAP defers to the Department of Corrections for an estimate of the fiscal impact. This proposal would have no impact on the BAP.

Officials of the **Department of Conservation (MDC)** state this proposal specifies that sales at prison stores are subject to sales tax. MDC assumes this proposed legislation would have a positive effect on MDC funds, because of an increase in sales tax revenue. The amount of fiscal impact is unknown.

Officials of the **Department of Revenue (DOR)** assume that additional sales tax revenue will be collected when the prison stores are added to the non-exempt status in the statutes. The Division of Taxation and Collection will register and process the collection of sales tax by prison stores. No additional administrative impact is expected by DOR.

Officials of the **Department of Elementary and Secondary Education** and the **Department of Natural Resources** assume this proposal could increase total state revenue. Both agencies defer to DOR or DOC for an estimate of the revenue impact.

ASSUMPTION (continued)

Officials of the **Department of Corrections (DOC)** assume this bill specifies that sales at prison stores are subject to sales tax.

DOC canteens are operated in the institutions to provide a means for inmates to purchase their necessary hygiene products and items they may require to access the legal system, i.e., paper, envelopes, stamps and ink pens, etc. Two-thirds of the inmates have a fixed income of \$7.50 to \$8.50 per month to spend in the canteen, on child support, repayment of debt to the state of Missouri as restitution and court fees. A payment of sales tax would directly reduce the canteen amount spent by a like percentage of the sales tax rate. Different percentage rates would be charged in the separate counties where institutions are located throughout the state. Reduction in their spending would reduce religious, educational, recreational and spiritual activities that are funded from canteen profits. Results from inmate unrest due to provisional cuts is always a potential threat. DOC assumes General Revenue Funds may be required to supplement the shortfall to continue to provide the necessary programs within the institutions.

If this proposal were passed into law, DOC would require upgrades to the existing computer system and cash registers used in the canteens. FTE would be required to establish and maintain tax reporting/accounting to DOR.

In summary the fiscal impact for the DOC is unknown but has the potential to be significant.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Income</u> - General Revenue			
Sales tax on prison store sales	Unknown	Unknown	Unknown
<u>Cost</u> - Dept. of Corrections			
Personal Service	(Unknown)	(Unknown)	(Unknown)
Fringe Benefits	(Unknown)	(Unknown)	(Unknown)
Expense and Equipment	(Unknown)	(Unknown)	(Unknown)
Total cost - DOC	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>	<u>(UNKNOWN)</u> <u>to UNKNOWN</u>

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
OTHER STATE FUNDS			
<u>Income</u> - School District Trust Fund			
Sales tax on prison store sales	Unknown	Unknown	Unknown
<u>Income</u> - Conservation Fund			
Sales tax on prison store sales	Unknown	Unknown	Unknown
<u>Income</u> - Parks and Soil Funds			
Sales tax on prison store sales	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT TO ALL OTHER STATE FUNDS	<u>UNKNOWN</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2004 (10 Mo.)	 FY 2005	 FY 2006
<u>Income</u> - Cities			
Sales tax on prison store sales	Unknown	Unknown	Unknown
<u>Income</u> - Counties			
Sales tax on prison store sales	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT TO LOCAL GOVERNMENT	<u>UNKNOWN</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

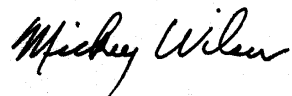
DESCRIPTION

This proposal clarifies and specifies that sales of food, meals, drinks and tangible personal property at prison canteens are subject to the statewide sales tax on those items. The existing sales tax provisions concerning collection and remittance of such taxes will apply to items made taxable by this proposal.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
 Division of Budget and Planning
Department of Conservation
Department of Corrections
Department of Natural Resources
Department of Secondary and Elementary Education



Mickey Wilson, CPA
Director
February 4, 2003